

**JOINT OPERATING BUDGET  
FINANCE & FINANCIAL SERVICES, WAYS & MEANS  
LEGISLATIVE & PERSONNEL, AND BUDGET COMMITTEES  
of the  
Suffolk County Legislature**

**Minutes**

A joint Operating Budget Committee meeting was held at the William H. Rogers Legislature Building, Veterans Memorial Highway, Smithtown, New York in the Rose Y. Caracappa Auditorium on Wednesday, **October 24, 2001** at 11:00 a.m.

**MEMBERS PRESENT:**

Legislator Michael Caracciolo, Chair, Finance & Financial Services  
Legislator George Guldi, Chair Ways & Means  
Legislator David Bishop  
Legislator Maxine Postal  
Legislator Cameron Alden  
Legislator William Lindsay  
Legislator Ginny Fields  
Legislator Andrew Crecca  
Legislator Joseph Caracappa

**ALSO IN ATTENDANCE:**

Fred Pollert, Direct, Budget Review Office  
Jim Spero, Budget Review Office  
Lance Reinheimer, Budget Review Office  
B.J. McCartan, Legislative Aide to Presiding Officer Tonna  
Clark Gavin, Legislative Aide to Presiding Officer Tonna  
Elizabeth Nostrand, Legislative Aide to Legislator Fisher  
Barbara Barci, Commissioner, Board of Elections  
Todd Johnson, County Executive's Office/IR  
Neil Tiger, Commissioner, Board of Elections  
Nancy Plompen, Board of Elections  
Wallace Bruege, Suffolk County Historical Society  
Alan Otto, SC Sheriff's Department  
Ken Weiss, Director, Executive Budget  
Allen Kovesdy, Executive Budget  
Kari Hegreness, Executive Budget  
Bill Faulk, Executive Budget  
Joe Poeria, Audit and Control  
John Meyers, AME  
Alice Amrhein, Economic Development  
Pauline Mize, Gabreski Airport  
Pat Russo, Civil Service/Admin. II  
Florence Dimino, Civil Service  
John Randolph, Civil Service Telecom  
Richard Tortora, S.V.P., Evensen Dodge, Inc.  
Diane Mercieca, South Fork Com. Health  
Lee Lutz, Campaign Finance Board  
Sally Faulk, Cornell Cooperative Extension  
Other Interested Parties

**Minutes Taken By:**

Kimberly Castiglione, Legislative Secretary

*(The meeting was called to order at 11:05 a.m.)*

**CHAIRMAN CARACCIOLO:**

We will now begin the Joint Finance, Financial Services and Ways & Means Committee. If you would all rise for the Pledge of Allegiance to be led by Legislator Lindsay.

*(Salutation)*

If anyone who has arrived has not filled out a yellow card to make a presentation, please do so and deposit it with the Clerk. The first speaker is Diane Mercieca. Diane, you are very persistent, as you should be.

**MS. MERCIECA:**

Good morning, everyone. I guess I have to be persistent since this is one-third of our budget. I had already went to the Health Committee and it was brought to the attention by Legislator Fields that we received a letter in the mail from Gaffney's Office stating that our budget was in tact for the \$54,000. Originally they sent us a notice that there was a savings of \$1,623 and then six weeks later we received a letter that that money was put back. So as far as we knew, the money was intact.

When the budget came out, as you all know, the budget was cut to \$5,000. I respectfully ask that you give us back the money so that we can do patients on the East End. And like I said, this is one-third of our budget. Are there any questions?

**CHAIRMAN CARACCIOLO:**

As you know, I stated last week at the public hearing we had in Riverhead it is something that I have supported in the past. You made it clear last year that it was justifiable. I know Legislator Guldi brought that to my attention. I would imagine he will either sponsor a stand alone budget amendment or attempt to have it included in a broader piece of budget amending legislation, but certainly, George, you are free to comment.

**LEGISLATOR GULDI:**

Thank you. I would like Budget Review to at least draft a stand alone and I will address the other issues as well. Do you have a specific recommendation on this item in your report?

**MS. MERCIECA:**

For the amount?

**LEGISLATOR GULDI:**

No, Budget Review.

**MR. REINHEIMER:**

I did not do this section of the report.

**LEGISLATOR GULDI:**

You didn't do that, okay. I'll check with outside the meeting for that.

**MS. MERCIECA:**

Thank you very much, George. Thanks, Mike.

**CHAIRMAN CARACCIOLO:**

Thank you, Diane. Lee Lutz. And I might add, Lee, as I welcome you, congratulations.

**MR. LUTZ:**

Thank you particularly, and nine other members of the Legislature for making the right decision yesterday.

Thank you for being here and taking the time to listen to me say things that I have said to this Legislature before, but nonetheless it is the appropriate time to bring them back to your attention.

The Campaign Finance Board has submitted to the Legislature its proposed budget for fiscal year 2002. I have additional copies with me here in case any of you may not have it handy,

and I would be more than happy to submit it. It is not only itemized in terms of what we expect to need for the coming year's work on behalf of the residents of Suffolk County, but also goes into some detail in explaining the positions that we expect to need in order to implement this brand new program, which, as you will recall, is fully in force for 2002 for the very first year. And so we are required by the law to have in place a functioning program. It is something I have been working on for a year now which is well underway, but of course obviously once we begin to function there will be more we have to do.

The staff – with the very small staff that we expect to need, again, is explained in that document which I know you all have one, but hopefully all of the Legislators have received one about a month or so ago when it was submitted.

It is my understanding that the County Executive's recommended budget to the Legislature contained \$205,000 for a recommended budget for our board for next year, which is the budget which we were allotted for 2001. It has turned out to be sufficient for 2001, however, obviously from what I just said we are going to have a functioning program next year and it will not be sufficient in order to be able to satisfy the mandates of the law. So we respectfully request that you review that document that we have submitted and see fit to include the appropriate amount that we will need in order to be able to function.

I point out, and I am sure – well, perhaps many departments do this, but because the number is so low in our case, I will point it out for your information. I will remind you the residents of Suffolk County approved this measure overwhelmingly back in 1998, and the cost to administer this program based on the budget that we've submitted for 2002 would be 25 cents per resident of Suffolk County for the entire year. We think that the residents of Suffolk County want this program to be implemented and to succeed and I think they would be willing to spend 25 center apiece in order to see that that be done.

I would like to also add one note. As a result of this Legislature's action yesterday, as you all know, we have been treated as a lump sum item in the budget, what amounts to a contract agency item in the budget in the previous two and a half years of our existence. Due to the passage of that bill yesterday, which we have high hopes the County Executive will sign since his Law Department and his Budget Office and his Intergovernmental Relations people all okayed the document, that line items would be required within the budget for any staff and you may -- and this would be of course subject to your Counsel and your Budget Review Office's recommendations, you might want to itemize our budget entirely in order to meet the changed situation that has been precipitated by the approval of yesterday's law, which again, we are assuming will be signed into law.

With that, if you have any questions I would be happy to answer.

**CHAIRMAN CARACCILO:**

First of all, does anyone from the committee have questions? I have several. Mr. Barton, could you provide me with a copy of the remaining committee schedule for budget hearings because this Finance Committee meeting is going to be recessed after today, it is not going to be closed. I would like to know when I can fit in the continuation of the Finance Committee meeting.

Lee, the first question I have has to do with an issue I brought up on the resolution before us yesterday, and that had to do with the travel and travel expenses. What is your understanding of the agreement that was reached, that was made a party to the resolution that was approved by the Legislature? Because I did not have a corrected copy. My copy seemed to indicate that travel did not require legislative approval and I just want to clarify –

**MR. LUTZ:**

Are you referring to –

**CHAIRMAN CARACCILO:**

Travel for conferences etceteras.

**MR. LUTZ:**

It is my understanding that our board will be treated as is every other department, which is that we would be required to submit and receive approval for any travel to conferences or seminars or that sort of thing. Again, it is my understanding that that is what the law says. I believe the process typically is that a conference attendance form be submitted to the Presiding Officer and the County Executive for their approval prior to the ability to attend such conferences and expend such monies, even if they have already been appropriated. As far as I am concerned, that is what that law will continue to do.

**CHAIRMAN CARACCILOLO:**

A copy of the resolution that was in my packet did not include language that reflected that. I raised the issue. Counsel said essentially what you pointed out, is it would be subject to Presiding Officer approval. So with that I am comfortable that those expenses will be kept in check.

**MR. LUTZ:**

I would point out that many of the clauses in yesterday's measure were amended as a result of that meeting that you probably are familiar with that Legislator Fisher initiated up in the County Executive's Office with all of the various parties concerned. Most of the clauses that

—

**CHAIRMAN CARACCILOLO:**

The County Executive does support – did support the resolution.

**MR. LUTZ:**

Yes, as I said. His Budget Office and his Intergovernmental Relations and his Law Department all said okay, this is what we want. So, yeah, that is why Legislator Fisher was willing to bring it back before the Legislature. But, as I said – started to say, most of the clauses that were amended at all were simply amended to make the rules and regulations that the Campaign Finance Board will be subject to, similar to what every other department in the County is subject to. So there is little, if any, that is particular or different from what everyone else has to live with.

**CHAIRMAN CARACCILOLO:**

You were not present in Riverhead in last week so you did not hear my announcement, my general disclaimer, if you will, that the budget that has been submitted to the Legislature this year is, as Budget Review has noted, a very challenging budget. It is one that is not right now in balance. It is structurally imbalanced, and as usual, the Legislature will repair that. But in doing so we have to take into account considerations that just six, seven weeks ago no one thought this County or this State or this nation would be dealing with today.

My sense is your request is rather significant, and I would not have high expectations that what you are requesting will be granted, but I can speak for myself and say that where it is appropriate I will support those line item requests that are consistent with our overall mission this year. So, I share that with you.

**MR. LUTZ:**

That, frankly, is all we can expect, and in fact would appreciate that consideration be given to our budget request. I would only point out the obvious, that our budget item is a miniscule portion of the big picture. I understand that this Legislature must address every penny, nonetheless, we are very, very small item.

**CHAIRMAN CARACCILOLO:**

Thank you, Lee.

**MR. LUTZ:**

Thank you.

**CHAIRMAN CARACCILOLO:**

Barbara Barci, and would Neil like to join you? Come on up. Nancy is yours a separate presentation? Welcome, Commissioners.

**COMM. BARCI:**

We want to thank you for meeting with us this morning, Chairman Caracciolo, Chairman Guldi, and members of the various joint legislative committees, and giving us this opportunity to address you about concerns with have with the Legislative Budget Review Office's report.

Before you, you have a folder with a response that we have drafted. We are concerned with – as you know, the September 11<sup>th</sup> primary was suspended. At that time we notified everyone that the cost of that suspension was going to be in the area of \$565,000, and the County Executive as well as the Legislature agrees that that money needs to come back into our 2001 budget. We are very grateful for that. Thank you very much for that allotment.

Concerning the – and I know the word assuming is a bad word, but I am assuming each of you have read the legislative reviews budget? Okay. So we have the election districts. There seems to be a misunderstanding of the Board's need to split districts. We are – do you want me to read what I've got here? You all have a copy of this. Do we just need to –

**CHAIRMAN CARACCILOLO:**

A summary would be fine.

**COMM. BARCI:**

The Board for the past three years, as mandated by the New York State Election Law, has been unable to split the districts. We have over 106 districts that have over 1,150 registered voters in these election districts. We have been band-aiding the problem by sending additional voting machines and inspectors to these districts, but it has reached the point that this is not the solution. We will have to create new election districts by February 2002. We are therefore respectfully requesting that the \$50,000 not be reduced from our 2002 budget request so that we can fulfill this mandate.

Regarding voting machines. The Budget Review Office recommends as well – recommends increasing the 2001 budget to accommodate a unique situation that has arisen in the Town of Brookhaven. One judicial candidate has six lines. The voting machine was only able to handle five lines. We had to send two of our technicians to Buffalo to purchase what we consider a block that will allow this candidate to be voted on six different lines. These gentlemen had to learn how to install this block and then they in turn trained the other voting mechanics that we have in house to take care of – to install those parts in the machine. At a cost of I think it was \$37,000 – at a cost of \$37,000. The Budget Review Office recommends that that money be put in our 2001 budget and we really appreciate that insight from the Budget Review Office and the Legislature. Neil, do you want to talk about the staffing issues?

**COMM. TIGER:**

Sure. Thank you for the opportunity to speak before this joint meeting. I would like to thank you on behalf of Commissioner Barci, myself and the voters of this County, your cooperation and that of the County Executive over the past years going back for the terms of offices of Jerry Berger and Jerry Edlestein has enabled us to achieve a ranking of the number one board in the State. We have been asked to – specifically asked to speak before the Governor's special commission on election reform. The meeting was supposed to be tomorrow. It has been adjourned to a date uncertain. I received a call from a member of the staff for that particular commission wondering why I had not returned my form, that they wanted me to speak. We take that as a compliment to this County and not as a personal compliment. We go tomorrow to the Nassau County Board to mediate a dispute between the two commissioners in that board. And again, we thank this legislative body and the County Executive's Office for enabling us to achieve that type of status throughout this State. You know we have been recognized by the State and Federal level programs that we have instituted here.



Part of the reason we have been able to institute such programs is because of the cooperation we have received from both the County Executive and the members of this County Legislature. I think that Legislator Caracciolo is probably the only one in the room now who was here at a time when Commissioners Berger and Edlestein came to discuss with each of the then sitting Legislators the need to maintain an autonomous computer programming for the County Board. And the reasons for that were explained at that point and they continue to exist. Up until last year's budget, there had never been a breach of that agreement and policy between the Board and the County Legislature and the County Executive's Office.

Last year in the course of drafting the omnibus bill, the Board's request for monies relating to computer hardware and software went to Civil Service MIS rather than to the Board, a situation that Commissioner Barci and myself found particularly alarming for reasons of our constitutional oath of office and requirements under the election law that what happens at the Board, what is needed in order to run elections and to run elections which legitimize all of the public office holders within this County, without interference from any other governmental agencies, whether they be elected officials or appointed officials.

We have over the course of years instituted a computer program through our computer expert, B.J. {Kewmar}, who you all know well, and have not ever had any problems with the County regarding compatibility of systems. Clearly any systems that we use for personnel and finance and those types of matters we use the County system. You gentlemen, ladies, foot the bill for voting in this County.

There are other areas that whatever expertise exists in the MIS group, we venture into fields that the County does not venture in. We need to have certain compatibility with the State Board and Commissioner Barci and myself need to have the ability to say to B. J. what do we need and then go out and get it without having to go through any additional levels of bureaucratic structure. We would ask that when the omnibus bill is drafted for next year's budget that we go back to where we were from I guess it must be 1989 or 1990 up through last year with regard to our computer operations.

With regard to staffing, we have entered very, very different times. We thought that the different times ended with the dispute over last year's Presidential election. Well, we were in for a little surprise when on September 11<sup>th</sup> Commissioner Barci and I had to do something that had, as far as we can tell, never been done in the State before, and we were the first to stop the election in the State. It was not an easy decision. It was a very difficult decision. Because of that event and because of the events which occurred in Florida, there have been some significant changes in election law or election policy in this State and in this country.

The General Accounting Office issued a report after visiting our board among I think another 100 boards around the country. That report was issued last Monday. The federal government is going to be making some determinations that are going to affect the way we run elections here. Because as you know, we don't just run County elections for the 18 Legislators and the four County-wides. We run every town election, we run State elections. We now have one village that is interested in having us run the village elections, and of course we assist in hundreds of special district and school board elections.

One of the major changes this year in New York State is any facility form which we receive 25 or more absentee ballots we must now send bipartisan teams to conduct their absentee ballot elections off-site. This is an outgrowth of problems in Nassau County, but the legislation was not restricted to Nassau County. It is Statewide. Fortunately, the initial proposal was amended from five absentee votes in a facility, which would have been I think over 100 facilities in Suffolk County to the 25, but that still leaves us I think about 35 to 36 facilities which, of course, requires personnel who know what they are doing.

As you know, we have had problems over the last few years with school districts and the use of schools as polling places. It really started a couple of years back when there was some incidents in schools where young children were shot either by other young children or by those who should have known better. We have received at least two or three letters from different school districts since September 11<sup>th</sup> saying, "Please, we don't want you to use our

schools anymore. We are worried about the security and safety of our children.” We understand those concerns, but we also have to conduct elections and schools are one of those areas where that is a publicly owned taxpayer funded building. But that is something that we are going to have to deal with as time goes on.

We discovered earlier this year that letters that were sent to quote us, to Commissioner Edlestein and Berger, to the County Attorney’s Office and to the State Board of Elections back in 1992, none of three departments which ever received those letters which place us under the auspices of the Federal Government with regard to obligations, bilingual obligations in any political jurisdiction with over 10% of a Hispanic population. Now, this County has more than a 10% Hispanic population at this point which requires us to prepare voting machines in two languages, to make sure that every document that comes out of the Board is prepared in two languages. We are better than New York City which at this point has a five language obligation, but again, this is going to require as we meet with the County Attorney and representatives of the Justice Department, is going to require a great deal of outreach into the Hispanic community. Among other things, we are going to need Board employees who are bilingual.

For many years the board was out of sync in terms of its constitutional and election law obligations as to the number of employees by the two major parties. Commissioner Barci and I met early this year to try and figure out a way to resolve that and to handle what we knew were going to be additional staffing needs after the events that occurred in the Presidential election. We made a determination that what we would like to do is to equalize the number of positions by salary level for the Democrats and the Republicans at the BOE.

We did that and as a result, two new temporary positions were approved this year by the County Executive and the Presiding Officer. We have those two positions and an additional four positions budgeted for next year. These are positions that we need if we are going to be able to provide the type of election services that the voters of this County not only deserve, but that we are really required to provide under local, State and Federal guidelines for the conduct of elections.

We had also put in and we understand that it was denied – and we are going to say it again and we are going to keep saying it, we need more space. We simply do not have enough space in that building. We have stored in the old nursing home a number of voting machines. Sooner or later we know we are going to be asked to remove those voting machines and then we are going to have to come back here and say, “All right, gentlemen, ladies, where do we store these machines?”

**CHAIRMAN CARACCILO:**

Because this obviously goes beyond the scope of just the operating budget, because now we are getting into capital needs, I would like to give Nancy an opportunity to make a presentation. Then I want to come back and if both Commissioners could kind of give the committee, the committee members a sense of your overall operation, how many people you do what you do, how many election districts there are in the County, how much that has grown by in the last decade, the obligations as you just cited on the federal election laws for dual ballots, dual language ballots, and all these other requirements or mandates, if you will, and what pressures that puts on you both in terms of personnel as well as equipment.

Then I do want to talk about equipment and the reliability of equipment and if there have been any discussions given this new world we now find ourselves in that if on an election day we were to find ourselves somehow with a bioterrorism attack not using chemical agents but some other means to try to tamper, hinder, or interfere with the election process, are we talking about ways to meet threats like that and insure our democratic process. So, lots to talk about and a lot of it goes beyond the scope of just the budget, which I would be happy to talk with you in private, but maybe if you can just give us a sense of, you know, what is going on in regards to some of these new events. Nancy.

**MS. PLOMPEN:**

Legislator Caracciolo, I defer to the Commissioners.

**CHAIRMAN CARACCIOLO:**

Okay. All right. So, then maybe let's continue the discussion in terms of some of the points I just raised.

**COMM. TIGER:**

In terms of the reliability of our –

**CHAIRMAN CARACCIOLO:**

Excuse me. Barbara, there is another mike there, so you guys don't have to share just that one.

**COMM. TIGER:**

In terms of the reliability of our machinery, much has been said about antiquated machines. We have had the opportunity, both Barbara and I, to testify at a number of hearings conducted by the State Assembly, the State Senate, the Governor's Commission. Right now these antiquated machines are probably one of the better things that we have going for us. They work well, they are not very expensive to keep in shape, unlike the DRE's, the Direct Recording Electronic machines. They do not have to be kept in any climate controlled areas. You never have to worry about a butterfly ballot with these guys.

**COMM. BARCI:**

We have a tremendous staff. We have at least 19 men and two women who maintain these machines on a daily basis.

**CHAIRMAN CARACCIOLO:**

How many machines do we have? How many polling places do we have?

**COMM. BARCI:**

We have over 1,700 voting machines. We have over 350 polling places at which there can be one machine at or up to maybe three for each – two for election district, they may have three for each election district. There could be many election districts within a polling place. And as Commissioner Tiger says, these schools are really very concerned about the security of the people coming in and out of the building for that reason.

We are fortunate in that we are considered a consolidated board, that everything is under our roof. We hire the inspectors, of which we have 8,000.

**MS. PLOMPEN:**

We have 12,000 trained.

**COMM. BARCI:**

We will use about the 8,000 on an election day.

**COMM. TIGER:**

About 6,000.

**COMM. BARCI:**

Six-thousand on an election day.

**CHAIRMAN CARACCIOLO:**

Have we broken 1,000 ED's yet?

**COMM. TIGER:**

We are 1006. It is our understanding that the big three Albany, even though they haven't officially told us or the world, but they do have redistricting plans. They will be redistricting for Congressional seats next year, for State Assembly and State Senate. I was informed unofficially that no, they really don't pay attention to the ED lines that we have drawn, so they are going to create some new ED's once they officially hold the vote on this districting.



This body is also going to redistrict sometime over the next couple of months. We at least get a little bit more input with the members of this body on regard to drawing lines in the middle of a current ED, although we would never tell you to keep your mother out of your ED.

**CHAIRMAN CARACCILO:**

In terms of contingency given the recent events and what occurred on September 11<sup>th</sup> where you had to cancel balloting, are there now contingency plans?

**COMM. TIGER:**

There are no real contingency plans. One of the alternatives to polling place and machine voting that I have been touting throughout the State is to go to mail. Now, that was before anthrax. I am not sure where people would open these ballots anymore. But we felt that – at least I felt that following Oregon, which is an all mail state, in which there has been an increase in voter turnout, would resolve a couple of problems. It would help us get a higher level of turnout –

**CHAIRMAN CARACCILO:**

How about electronic balloting? We may be getting the mail that way soon if –

**COMM. TIGER:**

The problems that you have right now – internet balloting is not considered secure, not even those companies that earlier on were touting internet voting, they are all about touting direct recording electronic machines. One of the problems that we have in this State, as Barbara alluded to earlier in terms of our having to have special blocks made so that you could lock out a candidate who had six out of the eight available lines on a machine is that a candidate can have six out of eight available lines on a machine. We have spoken at the State level, both as individual Commissioners and as a Statewide Commissioners Association, asking that something be done, that either the number of votes necessary to become a recognized party be raised from 50,000 or that we use the approach of the State of Massachusetts. Massachusetts allows you to have as many lines as you can get, as many endorsements as you can get, but you only get one line. That is if there is a shortcoming to the dinosaurs that we hold our elections on, it is that we are limited to nine parties.

Now, I know you have seen in gubernatorial years and Presidential years we have a little wraparound and back in the days when there were fewer parties and there were more people with independent lines you may recall complaining that you couldn't understand why the Citizens Against LILCO was on the same line as the We Want Marijuana Party -- but that wraparound where more than one party has to appear on the same line.

**CHAIRMAN CARACCILO:**

I am going to interrupt you there in the interest of time because we do have other presentations, other issues we want to get into. I just now want to focus specifically on your request and Budget Review's evaluation and recommendation. So if we can take them just quickly one by one. And, Jim, since Fred had to leave, I would appreciate if you would respond.

*(Legislator Postal arrived at 11:45 p.m.)*

The first BRO recommendation is increase the budget, this year's budget, to include \$610,000 in additional cost with the rescheduling of the September 11<sup>th</sup> primaries. This is really a Budget Review question. You incurred the cost, we have to fix it, and Jim, just a comment or two on how we do that.

**MR. SPERO:**

If the proposed budget doesn't include these expenses in the estimated 2001 column, which means it didn't recognize the fact that the primary was canceled because the budget was already prepared before the September 11<sup>th</sup> tragedy occurred.

**CHAIRMAN CARACCILO:**

Well, it was prepared but it wasn't presented to the Legislature.

**MR. SPERO:**

It wasn't presented. And it wasn't changed.

**CHAIRMAN CARACCILOLO:**

That is the answer, it wasn't changed. There was knowledge that it was a problem, it wasn't included. So let's be clear about that. Obviously the budget was presented late September –

**COMM. BARCI:**

This is this year's budget, 2001.

**CHAIRMAN CARACCILOLO:**

2001 budget, right. And what Jim is saying, it wasn't included –

**COMM. BARCI:**

Because we didn't know we were going to cancel it.

**CHAIRMAN CARACCILOLO:**

I am not singling out the department, I am just making a comment about it should have been included as part of the presentation as an expenditure that we are obligated and incurred.

Okay. The next item is an increase in the 2001 budget by \$40,000 to include the cost of custom voting machine parts. Same situation essentially?

**MR. SPERO:**

It is not related to September 11<sup>th</sup>, but it wasn't included in the estimated –

**CHAIRMAN CARACCILOLO:**

So it predates September 11<sup>th</sup>. It is something that should have been included but wasn't included. Delete the six new positions from the 2002 recommended budget and reduce permanent salaries by \$99,000. I know, Commissioners, you want to address this, I would think.

**COMM. BARCI:**

Commissioner Tiger did address that in his –

**CHAIRMAN CARACCILOLO:**

I know, but Legislator Postal was not present so I just want to give you another opportunity to perhaps just repeat that point.

**COMM. TIGER:**

Certainly. Let me try and recap briefly. Because of increased responsibilities and because over the course of years through attrition one way or another there became an unequal number of employees at the board in violation of the Constitution and the State Election Law which requires an equal number of employees from each of the major parties, earlier this year Commissioner Barci and I reviewed all of the staffing and determined that not only were there an unequal number of persons from the two major parties employed at the board, but even among that there were an unequal number of members of those parties at a variety of salary levels. So in order to equalize the number of persons at each salary level and to equalize the number of Democrats and Republicans at the board, excluding B.J. who is our neuter, that it would require an additional six positions.

**CHAIRMAN CARACCILOLO:**

What is the current staff level?

**COMM. TIGER:**

The current staff level is 119 – 121, I guess, including us. One-hundred and twenty-one including the Commissioners.

**CHAIRMAN CARACCIOLO:**

Okay. Now, is it by State Law or by what means are you required to have an equal number of employees from the two major political parties?

**COMM. TIGER:**

Article 2 of the New York State Constitution and Section, I think, 3-300 of the Election Law.

**CHAIRMAN CARACCIOLO:**

And that is in fact now the case? The imbalance the you referenced has been –

**COMM. TIGER:**

Will be corrected as of January 1 of next year if these positions are included in the omnibus. There were two temporary positions approved by the Presiding Officer and the County Executive about three or four weeks ago.

**CHAIRMAN CARACCIOLO:**

Thank you. Just moving right along, then. Reduce 2002 election inspector appropriations by 50,000. You addressed that issue.

**COMM. BARCI:**

That was addressed with the election districts –

**CHAIRMAN CARACCIOLO:**

Yes. And the next item was as well, the computer software appropriation. I know you mentioned that. And then the final issue that they raise, Budget Review, was reduce the 2001 estimated revenue from the rental of voter machines to special districts and school \$25,000 and reduce it next year by – in revenue next year by 25.

**COMM. BARCI:**

The basis that the Legislative Review Office based their recommendation of the reduction of the 25,000 was due to we had requested 65,000 and we have only up until now expended the 40,000. On December 11<sup>th</sup> we have all the fire district votes, so we anticipate spending that money by the end of the year – receiving that money, I'm sorry – receiving that money by the end of this year. So we would appreciate the money left the way we had it.

**CHAIRMAN CARACCIOLO:**

I will recognize you in a second, Bill. Jim, could you just respond to the last comment?

**MR. SPERO:**

We won't reduce the revenue, then. We will just leave it the way it is.

**CHAIRMAN CARACCIOLO:**

Okay. Very good. Legislator Lindsay.

**LEGISLATOR LINDSAY:**

I just have a question. When the Board of Election provides voting machines for school districts, fire districts, maybe even for private companies to conduct some kind of vote, we charge a fee for that. Is that correct? What is the fee?

**COMM. TIGER:**

Seventy dollars per machine.

**LEGISLATOR LINDSAY:**

Seventy dollars for a machine. How long has it been at that level?

**COMM. TIGER:**

A long time.

**LEGISLATOR LINDSAY:**

Does that meet our expenses? I mean, by the time you move the machine to that site, it is probably costing us money at \$70 a machine.

**COMM. TIGER:**

What happens is they don't just get a machine. They may have phone service with that and a mechanic technician to deal with the machine.

**LEGISLATOR LINDSAY:**

So in other words they pay for the technician beyond the rental for the machine.

**COMM. TIGER:**

Well, what happens is, and Commissioner Barci and I are discussing this, what happens is because salaries have increased over the years and overtime has increased over the years, depending upon who and what salary level is going to work that election, we may make money on that or we may lose money on that. When it comes to the school districts, one of the things that needs to be considered is we don't pay them a whole lot to use those facilities. So there is kind of a balancing equity in the fact that we may lose a little bit of money in sending machines out, but we gain back a little bit of money in not spending as much for polling places as other jurisdictions might. But we are looking into that. We are never going to generate a lot of income doing that, and we don't exist to generate a lot of income for that purpose. Our purpose is we are required to assist them in their elections.

**LEGISLATOR LINDSAY:**

I am not looking for the Board of Elections to generate a lot of income, but I would like to be assured that it is at least income neutral, that at least we are breaking even on the service that we provide.

**COMM. TIGER:**

Not always, we are not.

**LEGISLATOR LINDSAY:**

That is something that I would like you to look at.

**COMM. TIGER:**

We have been and we will continue to.

**LEGISLATOR LINDSAY:**

Maybe Budget Review could look into that as well. How many machines a year do we rent out, do you have any idea, before our normal general elections?

**COMM. TIGER:**

We conduct almost all – we do about 60 to 70% of the school districts, we do most of the fire districts, most of the water districts. We run over 1,000 elections a year.

**LEGISLATOR LINDSAY:**

With multiple machines at some times.

**COMM. TIGER:**

Very rarely multiple machines. For the most part, outside of school district elections, library elections are generally –

**LEGISLATOR LINDSAY:**

Yeah, but in a school district election, I mean, you have multiple polling places. You must have multiple machines.

**COMM. TIGER:**

And the school districts never complain about holding those elections in their schools.

**CHAIRMAN CARACCILO:**

Is there a model, just to follow-up on that point, is there a model elsewhere in the State, in the country, that has in effect a revenue neutral –

**COMM. TIGER:**

There was probably a time when this County was that model, but as I said, because of salary increases and other reasons –

**CHAIRMAN CARACCILO:**

Then the fees obviously we generate have to be adjusted as well.

**COMM. TIGER:**

Right, and we have discussed that.

**CHAIRMAN CARACCILO:**

And I think that's Legislator Lindsay's point. Okay. All right. I would like to thank the Commissioners and Nancy for making this presentation. I certainly took note of some of your concerns and will attempt to address them.

**COMM. TIGER:**

Thank you.

**COMM. BARCI:**

Thank you.

**CHAIRMAN CARACCILO:**

Wally Bruege. Nice to see you again, Wally.

**MR. BRUEGE:**

Good morning. I wouldn't be here again if I didn't strongly believe in the message that I am bringing to the combined committees today, but thank you for giving me the opportunity once again to speak. I will try and be brief. The County Executive's recommended budget for the Suffolk County Historical Society has been cut by \$9,430 dollars from the adopted level for 2001. Although this doesn't seem to be a great deal of money, the cut to our budget couldn't come at a worse time.

Income from some of our traditional sources including our endowment and grants are way down. We are facing a deficit of about \$50,000 for 2002 and may very well have to lay off two key staff members, our curator and our librarian. These two people – we only have four full-time staff members and seven part-time. These two individuals run departments that are core program for the Historical Society, and because we are a small institution there aren't other staff members waiting in the wings to take over the work. So it will be a severe blow to our programs.

At the same time I understand that this is not the right year for me to be asking the County for a large increase, and there is no way that you are going to be able to help me with this deficit that we are facing. However, I would ask that you would follow the recommendations of the Budget Review Office and restore the \$9,430. That isn't going to fix all of the financial problems, but there is a good chance that I may be able to use that funding to save one of those staff positions if possible.

So at this point I would just ask that you keep an open mind about our budget, and if you can see your way clear to restore that \$9,430 I would appreciate it. We are very satisfied with the review that Budget Review did of our programs. As always, it is a very fair review. I would like to just point out one small item, not small for a museum, though. I wouldn't want to have any misunderstandings. We are not going to sell any collections to support our operating budget. We will sell some stock, a gift of stock, that we had hoped to add to our endowment so we could use it in the future to provide financial stability for the institution, but we have been forced to adopt a total return policy with that endowment, so gifts have to go right into the operating budget also.



If you have any questions about our operation, I would be happy to answer them now.

**CHAIRMAN CARACCILO:**

Wally, I do know, as you know, I have in the past sponsored numerous budget amendments to insure the health of the Historical Society even though you are a contract agency and not a County run department.

A question of Jim Spero. Within existing appropriations, Jim, are there any means by which I could transfer funds to the Historical Society to make up this shortfall that is expected next year? I know it is two different budget years, but are there any mechanisms at our disposal to maybe address this without necessarily dealing within the 2002 budget?

**MR. SPERO:**

We would have to put money in the 2002 budget. We can't deal with it. He needs the money in his contract for next year, so we'll have to get the money in the 2002 budget line if we are going to do it.

**CHAIRMAN CARACCILO:**

We are going to try to do it, Wally.

**MR. BRUEGE:**

Thank you very much. I couldn't ask for any more. I have some literature that I am going to leave. Who should I give this to or I guess I can just bring it --

**CHAIRMAN CARACCILO:**

Leave it with the Clerk and we will make copies.

**MR. BRUEGE:**

Thank you.

**CHAIRMAN CARACCILO:**

Thank you. Okay. Sally Faulk.

**MS. FAULK:**

Good morning.

**CHAIRMAN CARACCILO:**

Good morning, Sally. Nice to see you.

**MS. FAULK:**

I would like to thank you for giving me the opportunity to talk with you again this morning. I am here to speak on behalf of the 2002 budget and many of the programs and services that Cornell Cooperative Extension that may be affected. We recognized the times that we are living in now and the strain placed upon the economy as a result of the tragic national events and our own County economy and we know the repercussions well because we have been dealing with the effects since September the 11<sup>th</sup> firsthand every day since that very afternoon.

While we understand the complexity of the budget situation at this time, we also understand the needs and the concerns facing your constituents and for 85 years we have been responding to the needs of Suffolk County residents, needs that are a result of the tragic current events and needs that are not related but have been concerns of our neighbors before September 11<sup>th</sup> and will be issues well into the future.

By eliminating programs and reducing staff we are taking vital services and expertise away from people that are in more need now than ever before. We are aware how difficult it is for you to make decisions, particularly with our current economy. We hear daily from industry leaders who turn to us for support and guidance and we are there for them and we hope that these respected programs will still be there in 2002.

I am here today to ask for your continued support of our programs. The recommended 2002 budget as set forth by the County Executive will significantly impact our efforts through our Family and Consumer Science Programs, our 4-H Youth Department and Agricultural Programs as well as our outreaches at the Suffolk County Farm and Education Center and our activities that go on at the Marine Program. In addition, the reduced County budget puts us at risk of losing additional funds from the State as well as thousands of dollars that can be leveraged from our own base funding.

Now, what does this mean for your constituents, the residents of Suffolk County. It means a potential loss of 12 key positions, positions that support families, children, and the industry that keeps our County growing and prospering. We recognize that these are trying times for all of us. The repercussions of the last month's events are still impacting lives in Suffolk County residents and our economy. We ask us that you keep us to continue to do our part in supporting these families and fostering programs that are vital to the economic development.

We are asking that you please support the legislative review recommendation for an additional \$246,746 to our budget. To comply with the County Executive's zero percent increase requirement, we did not request additional monies that were needed to continue our entomology program and we also did not request funds to comply with Cornell University's mandated classification upgrade requirement or for moving expenses into the new building. So to this end I ask that you recognize the important of these pieces and support them. I would be happy to speak with you in more detail about particular programs. Please feel free to contact me. Thank you in advance for your support.

**CHAIRMAN CARACCILO:**

Okay. Budget Review, any comments? I note that your recommendation is \$10,000 above what the budget was reduced by – or the County Executive. He reduced their budget by 236,000. Unless it is a misprint, you are recommending 246,746.

**MR. SPERO:**

That's right. This amount of money included in that amount of money would allow the Cooperative Extension the grant of three percent salary increase. So our calculations, we came up to 246,000 total that they would need to carry on a lot of their existing programs and provide the three percent salary increase.

**CHAIRMAN CARACCILO:**

Explain how the County is involved with salary schedules and increases at Cornell, because you are not only funded by the County, you are funded by other entities.

**MS. FAULK:**

No, we are not funded by Cornell. We have –

**CHAIRMAN CARACCILO:**

I know you are not funded by Cornell, but you do receive other forms of assistance.

**MS. FAULK:**

Yes, we do receive other forms. But Cornell is the one that sets up the classification and salary system and they are the ones that have come up with the new salary requirements in order for us to be competitive.

**CHAIRMAN CARACCILO:**

When you say Cornell, are we talking about the University?

**MS. FAULK:**

Yes, we are talking about Cornell University.

**CHAIRMAN CARACCILO:**

Jim.

**MR. SPERO:**

Page 148 of our report was a little pie chart, and you can see the revenue sources for Cooperative Extension. The County is about 43% of their total revenue.

**CHAIRMAN CARACCILO:**

That was my earlier point, and as I understand it from one of the many conversations I had with Budget Review on an ongoing basis, that Suffolk County supports our Cornell or Cooperative Extension program to the highest degree of any cooperative in the State if not the country. Is that not correct, Jim?

**MR. SPERO:**

I really don't know.

**CHAIRMAN CARACCILO:**

Well, that is what Fred told me. All right. Thank you.

**MS. FAULK:**

You're welcome.

**CHAIRMAN CARACCILO:**

Is there anyone else who would like to address the committee before we go to tobacco securitization? I would like to have those who would like to make a presentation come into the auditorium. I know they were here earlier. Yes, Ma'am, come on up. Ken, before you do, there is one other – oh, Alice, I am sorry. You could have been sitting there a long time if you didn't raise your hand just now. Make this brief, please.

**MS. AMRHEIN:**

I recognized that fact, so. I am Alice Amrhein. I am Commissioner of Economic Development. To my immediate right is Caroline Fahey, my assistant. Next to her is Pauline Mize, the Airport Manager at Gabreski. We came to the committee meeting today because the Ways and Means Committee has the responsibility for supervising Gabreski Airport. I was reviewing the budget, and I just wanted to make one or two comments on the budget. And we were reviewing the Legislative Budget Review Report and we note that they recommend taking out the money for the appraisals for the industrial park and having the Department of Real Estate perform the appraisals, and it is the Department of Real Estate that advised us that they wanted to use outside appraisers. So it was a specific request to put funds in so that we could pay for the appraisers that the Real Estate Department wanted to use.

We are pleased that Legislative Budget Review also recommends the assisting lighting specialist for the airport. And as you are aware, we are getting about three million dollars of assistance to put brand new lighting in at the airport. So our current lighting specialist is in his 70's and has indicated he is retiring in two years, so we are trying to have some continuity with the new system going in. Is there anything else specifically?

**MS. FAHEY:**

Just regarding the appraisals. Budget Review notes in their report that in our account we had \$15,000 for appraisals originally. The 15,000 was not for appraisals. The 15,000 was for a report that was required for us to do due to litigation, so it is a technical correction. The 15,000 that they've stated was for appraisals was not for appraisals, it was for another project. So we had no money funding for appraisals.

**CHAIRMAN CARACCILO:**

Was that brought to their attention previously?

**MS. FAHEY:**

Not yet. I just got this yesterday afternoon, so we haven't had a discussion.

**CHAIRMAN CARACCILO:**

Were any of your requests submitted to the Executive for consideration before the presentation of the budget?

**MS. AMRHEIN:**

I'm sorry.

**CHAIRMAN CARACCILO:**

Were any of these requests submitted to the Executive – to the Budget Director, prior to the submission of the budget to the Legislature.

**MS. AMRHEIN:**

Well, the County Executive included the money for the appraisals in the budget.

**CHAIRMAN CARACCILO:**

Okay. I think we got that just clarified now, but the replacement, the individual for the lighting specialist –

**CHAIRMAN CARACCILO:**

They included that.

**CHAIRMAN CARACCILO:**

Okay. All right.

**MS. AMRHEIN:**

I am just reiterating the importance of continuing it.

**LEGISLATOR FIELDS:**

Alice, you spoke to Real Estate and they can't do the appraisals?

**MS. AMRHEIN:**

They indicated that they would hire outside appraisers to do –

**LEGISLATOR FIELDS:**

Why?

**MS. AMRHEIN:**

Apparently they don't have the staff to do the appraisals that we have requested.

**LEGISLATOR FIELDS:**

Do we know that as a fact, Jim? Do you know that we don't have staff in Real Estate, and if we don't have staff to do appraisals in Real Estate, why? Wouldn't it be far cheaper to hire an appraiser than to have outside consultants that would pay probably millions of dollars to appraise properties?

**MR. SPERO:**

Well, we know they have in-house appraisers. We are just looking for areas in the budget we might be able to reduce expenses because it is not a business as usual budget this year. This is one of the areas we identified for a possible cost savings as long as Real Estate can use the people they have in-house to accommodate the Department of Economic Development's needs.

**LEGISLATOR FIELDS:**

I think that is one of the things that we should fight very hard for, is to provide services in-house rather than reaching out for outside consultants constantly.

**MS. AMRHEIN:**

I don't disagree, but as one department to another, I don't have the ability to get them to do my appraisals. And right now we are in the middle of trying to develop a 56 acres industrial

park, and I have interest in various parcels, but before we could even open negotiations we have to have a value for the parcel so that we know what we're going to lease it for.

**LEGISLATOR FIELDS:**

Maybe in the budget for land acquisitions when we get to that we will ask them to appear and tell us who they have and how busy they are and whether or not we can utilize them for your department.

**CHAIRMAN CARACCILO:**

Alice, in the context of your last comment, that sounds like we are finally breaking ground, if you will, at Gabreski for an economic development zone, not perhaps under the strict definition of the same although it may qualify for that. Are we in competition at all with Riverhead and the Calverton site? Do you see businesses coming forth expressing interest in Gabreski that may have previously or perhaps prospectively want to locate at an airport facility?

**MS. AMRHEIN:**

We have had companies come to us that actually are looking at both facilities, and they are looking at each facility to see what we can offer to them in terms of relocation. That is both the aviation side and the industrial side. And Calverton, even though it isn't an operating airport, they have indicated they do want some aviation related usage there, but we are an operating airport and we do have the capability of having all sized aircraft fly into the airport.

**CHAIRMAN CARACCILO:**

What type of interest has been generated specifically at Gabreski by what types of businesses?

**MS. AMRHEIN:**

Well, I don't want to mention any of the names, but we have one person who wants to put up a spec manufacturing warehousing facility and then sublease sections to a tenant. We have had expressions of interest from three hotels for a particular parcel. So it will be actually a competitive situation because we are going to look for the best proposal. We have had a person come in and express an interest in an office building, and we have an aviation related company who is thinking of putting in a – like a maintenance and repair facility for corporate jets. We have got another local company looking to relocate there, and we have a constant stream of trades people looking for smaller – like smaller storage manufacturing facilities which is why we are interested in having someone come in to build a larger building and sublease it. Because some of the people we have coming in only want like 2,000, 4000, square feet of space. And right now every building but two at the airport are rented, but they are in deplorable condition. So we are actually going to do a survey of all of our existing tenants with the expectation that some of the existing tenants will move into the newly build space.

**CHAIRMAN CARACCILO:**

Earlier we heard from the Board of Elections that they are in need of some space. Is there any County space, maybe not buildings, but there is certainly plenty of land at Westhampton for future expansion of County –

**MS. AMRHEIN:**

Which department?

**CHAIRMAN CARACCILO:**

Board of Elections.

**MS. AMRHEIN:**

Office space or storage space?

**CHAIRMAN CARACCILO:**

Storage.



**MS. AMRHEIN:**

We have one building that we actually have a tenant proposed for, but if he doesn't take the whole building. We are having some environmental tests run on the building at the minute.

**CHAIRMAN CARACCILOLO:**

Okay. And just finally, because I do want to get on to other issues, have you seen an influx as result of 9/11 aftermath of fixed based operators and others from Republic and other local airports coming east to possibly relocate or expand?

**MS. AMRHEIN:**

Let me let the airport manager address that.

**MS. MIZE:**

We have had increased activity and we do have single plane operators. As far as fixed base operators we have two currently on the field. The one in particular is located at Farmingdale and Islip as well. So what he has done is move some of his operations to Gabreski, but he has a presence at all three. So we haven't had increase. Because of the VFR and IFR regulations, Gabreski is a place where more training is going on now. We have a lot more touch and goes because they can't do it at Farmingdale and Islip also has some restrictions. So, we are seeing more of that activity. In terms of tenancy, I think it is going to be a little bit before we know and before the other two facilities know where they shake out in terms of JAA operations.

**CHAIRMAN CARACCILOLO:**

Okay. And are there increased security measures in place around the runways and around the facilities?

**MS. MIZE:**

We have serious security concerns, Legislator Caracciolo. Currently we have a Sheriff patrolling 24-7, primarily because our airfield is completely exposed.

**CHAIRMAN CARACCILOLO:**

Okay. Well, we have the Air National Guard Rescue right next door, the 106<sup>th</sup>, but I imagine on their property they are at high alert.

**MS. MIZE:**

They are at high alert and they have tightened up their facility. Normally what they used to do in the past – what they used to do in the past was keep an eye on the County side of the facility. But because they are at high alert they can no longer do that, so they have tightened their perimeter and they are only patrolling their 88 acres, leaving the rest of the 1,400 acres of the facility without security patrol until the Sheriffs came in.

We also have a resolution that was laid on the table yesterday to put interior perimeter fencing. To do the exterior perimeter of the airport is 5.6 miles, and that fencing is in the neighborhood of \$1.5 million. We do not have contiguous fencing around the airport now. So what we have laid on the table is temporary measure until we can get the bigger project approved which is in the capital program, I believe, for 2004. The interior fencing is approximately \$231,000 and would protect the interior perimeter of the airport. Our existing tenants also have serious concerns about our security issues.

**CHAIRMAN CARACCILOLO:**

Since you said it twice now, security concerns, I am concerned that only one Deputy Sheriff is going to provide adequate perimeter security. I would said to each of you that if you don't feel that is the case, to certainly bring it to the attention of the Legislature, the Executive, and make the request of the Sheriff's Department to increase the size and deployment of personnel there.

**MS. AMRHEIN:**

I do want to say that we have had great cooperation from the Air National Guard, the Town of Southampton whose – we had a security meeting with all of the law enforcement agencies last week. We even had the State Police there. We are going to have bimonthly meetings with the group, but I will bring up your concerns.

**CHAIRMAN CARACCILO:**

I would like to attend any meeting that is held in that regard.

**MS. AMRHEIN:**

We will add you to our list.

**LEGISLATOR FIELDS:**

Alice or to the other lady, what does the FAA say since September 11<sup>th</sup>? What are their requirements? Are there requirements to increase security?

**MS. MIZE:**

Yes, Legislator Fields. As a matter of fact, the FAA has been giving us constant changes in the requirements for security at airports. Because our airport is a general aviation facility it falls under some different criteria. And as you may have heard during the conversations over the last couple of weeks, general aviation has been the greatly impacted type of operation, so that is what we have. The FAA is constantly changing recommendations. We have new ones from the State. Our regulations change about every other day in terms of operations, perimeter security, flight line use – there are many issues involved. So at the security meeting that we convened last Friday of all of the security interest that is around the airport, included Suffolk Police and the State Police, we gave them copies of all the FAA regulations and asked them how we solve this problem. We know we are going to have some type of surveillance cameras in place. We also have two flight schools which makes us, you know, in another type of situation. So we are discussing background checks.

We also have construction projects beginning. So all of our contractors have to undergo ten year background checks to be able to work on the airfield. And because we have a military presence that makes it even more difficult for us to manage the security. So we are trying to come up with the best solutions.

**LEGISLATOR FIELDS:**

Do they stipulate who is supposed to make sure the security is – is it police, is it State Troopers, is it local police, is it Sheriffs? I mean, do they say that this must be provided by a particular type of law enforcement?

**MS. AMRHEIN:**

The directive we got from New York State said they are working on a directive. The FAA has just said to increase security. The State directive included other States, their policy, and that is what we are currently reviewing. So far neither New York State nor the FAA have issued specific instructions on what they want to see. But I should also say that we have implemented – because we have 33 tenants there, we also implemented a new policy on parking. We have issued parking permits for our tenants and requested the names, addresses, phone numbers, of all of their employees and then we are going to – DPW was out there yesterday. We put up some new security barriers on certain access points and we are going to enforce the fact that all cars have to be licensed. There are a number of things that we have been working on. After this we decided we had to speed up some of our own procedures.

**CHAIRMAN CARACCILO:**

Okay. I am going to cut this off because we really do have to get back to some financial issues and –

**LEGISLATOR FIELDS:**

Thank you. I just felt that this was more important.

**CHAIRMAN CARACCILO:**

And would just request once again that perhaps you cc us on any appropriate correspondence regarding your security concerns.

**MS. AMRHEIN:**

We will. May I raise just one other issue?

**CHAIRMAN CARACCILO:**

Final, final point.

**MS. AMRHEIN:**

This is Cultural Affairs. I read in the Budget Review Report that they are recommending that the County contribution towards Cultural Affairs be eliminated in favor of leaving just the hotel/motel tax. I do want to mention that Cultural Affairs actually does have an economic development stimulation point and you could see this in New York City, that a lot of people really rely on the performing arts as sort of a stress reducer, so I just want to point out that that is – even though is not maybe as important as security, it does have a place in our economy.

**CHAIRMAN CARACCILO:**

Thank you. Okay. I see some familiar faces in the audience from the Comptroller's Office, financial advisor, Rich, Ken Weiss and certainly First Albany, if you would like to come up and make a formal – quick and brief formal presentation. All of us have had the proposal for a week or so, and based on our review and Budget Review – if you could begin your presentation I will turn the Chair over temporarily to Legislator Fields is the, I think, the senior member. It is yours, Ginny. I will be back in a couple of minutes.

**LEGISLATOR FIELDS:**

Thank you.

**MR. WEISS:**

If I could just before – I have one other financial matter. I want to hand out a memo that I am sending out to the Legislature, but the Legislators that are there I would like to give a copy of. It talks about an additional four million dollar problem that we have determined since we submitted the budget having to do with the effects from the State budget.

**LEGISLATOR FIELDS:**

Who is going to be first?

**MR. WEISS:**

I thought I would make a presentation which is similar to what I made yesterday, just basically talking about the situation. The budget estimated by the County Executive included a reduction in debt service and a reduction in tobacco revenue. Accompanying the budget was resolution number 1937, which is a local law which basically authorizes the County Executive to securitize tobacco revenue.

Very briefly, as I mentioned yesterday, tobacco securitization is not a new concept. Thirty counties representing 75% of the population of the State of New York have already securitized. New York City has securitized their tobacco. New York State is considering it. It is the opinion of the County Executive and myself that tobacco should be securitized whether or not it is necessary or utilized in the 2002 budget.

One of the aspects of the local law is the County Executive's commitment to providing 20% of the tobacco revenues for tobacco cessation programs that would continue. Tobacco securitization, if it is not for budgetary reasons, would be a significant item to shift a risk. I think other people will talk about that a little bit later.

The 2002 budget as I mentioned, we identified a \$37.7 million problem. We believe this problem will be beyond 2002. It is related to a combination of things, but primarily it is due

to the current economic situation and the lowered sales tax estimates.

I know the Legislature is in the process of reviewing the County Executive's budget and they may determine that the problem that we identified as \$37.7 million is either greater or less. The memo I just handed out is an additional four million dollar problem.

With that, I would like to turn it over to Rich Tortora, who is the County's Financial Advisor.

**MR. TORTORA:**

Thank you. I understand that at the meeting yesterday a number of issues came up, and the thought was that you would like Evensen Dodge's opinion as the County's Financial Advisor.

Just by way of background, a number of our County clients are looking at tobacco financings, including jurisdictions in both New York and in California that we presently work with as financial advisor. We also were involved in one of the first deals that was done in early 2000 in the State of North Dakota. We worked on their tobacco financing. So we are very familiar with the various structures and the pros and cons of moving forward with this.

I had the opportunity to work a little bit with Fred Pollert and Jim Spero a few weeks ago while they were developing their memo, which I understand they've given to you at this point. Fred was kind enough to let me take a look at it along with some of the folks at the Comptroller's Office and maybe give a comment or two. So I am aware, I believe, of the Office of the Budget Review's position. I understand what the County Executive's position is certainly, and I am happy to answer –

**CHAIRMAN CARACCILO:**

And you're in the middle.

**MR. TORTORA:**

And I am in the middle, which is a place I have found myself before certainly. But I am happy to answer any questions you might have. I understand you have had or the Executive's people have had presentations from three banking firms. It is fortunate that they have had presentations from probably the three strongest firms in the industry that have done tobacco financings to date. First Albany, which is represented here today, Solomon Smith Barney, and Morgan Stanley. There are a number of different structures that I am sure that those firms proposed and different compensation packages, etceteras.

I do think that in light of the fact that there may be a possible budget shortfall certainly in '02 in the County that this is something that merits serious consideration, much more so today in light of economic conditions and the County's upcoming budget than it did maybe in 1999 when Nassau County and New York City first did their financings. So, we come to it with a little bit of a different perspective now in light of present conditions.

That is kind of my opening statement. I don't know what questions you might like to –

**CHAIRMAN CARACCILO:**

Okay. I think clearly to zero in on the issue. We are talking about a specific proposal, and in your judgement whether or not this particular proposal should go out, if it is considered at all through the County's RFP process, because there are significant commissions and fees associated with it. Do you agree with the composition of the board, which is unilateral at this point, or do you think there should be bilateral participation. And you were not obviously queried by the Budget Director or anyone else that submitted this to the County Executive for his consideration, and that is somewhat troublesome to us since you are the County's Financial Advisor, not any one branch of government's Financial Advisor. You did speak with the Legislative Branch and our Budget Review Office. I want to clarify which of the documents that they have prepared for the Legislature that you had some input into. Was it their memo of October 8<sup>th</sup> or was it their Budget Review Report?

**MR. TORTORA:**

Was it both of them, Fred? It was the same I'm told. Maybe a ten page memorandum –

**CHAIRMAN CARACCIOLO:**

Is there anything contained therein that you have had an opportunity to review that you would disagree with it?

**MR. TORTORA:**

It is a very lengthy memo, obviously, and it covers a lot of different issues. Just a couple of factors. Obviously the cost of capital in raising revenues via a tobacco securitization is higher than it would be through the traditional means that the County generally employs. General obligation debt backed by the full faith and credit of the County is going to sell at lower interest rates than tobacco financing bonds will. The spread – the difference between the interest rates might be between 30 and 50 basis points depending on market conditions, and I think that is a statement that was appropriately reflected in the Budget Review Memo.

**CHAIRMAN CARACCIOLO:**

Let me just stop you there. In terms of the current market or market that perhaps in the next few months if this were to be considered, it would take about, as I understand, 45 to 90 days to consummate. What do you think present and future market conditions would bear to a bond holder who purchased securitization bonds?

**MR. TORTORA:**

I think we are looking at that 30 to 50 basis –

**CHAIRMAN CARACCIOLO:**

In terms of an overall percentage rate.

**MR. TORTORA:**

Sure. Right now if you were in the general obligation market for the County for say 20 year general obligation bonds, you'd probably be looking at a cost of capital of about four and a half percent. If we were in the same market with tobacco bonds, we'd probably be looking at around five percent, 20 year paper. If we move to 30 year paper, which is the traditional structure or even longer, I understand the First Albany proposal I believe was a 26 year term. You are probably looking at in the {GO} market interest rates right about five percent, perhaps a bit lower than five, and the tobacco bonds, maybe at 50 basis points to that, so just around five and a half percent general cost of capital.

**CHAIRMAN CARACCIOLO:**

Okay. Getting back to your input and your agreement or disagreement with Budget Review's remarks, please comment.

**MR. TORTORA:**

Sure. One of the other, again, numerous remarks in that document, the issue about credit. We are very sensitive to what the County does and how that might impact on its credit ratings with the three credit rating agencies. Tobacco securitization is a well known commodity now. I mean, 30 jurisdictions in New York State have done tobacco financings as have probably a dozen around the United States.

What the credit rating agencies seem to key in on is what the tobacco proceeds are used for. If they are used as a one shot as they were in Nassau County to plug, you know, for operating needs, that is a problem. Nassau County obviously has many problems and they didn't ingratiate themselves I don't think with the credit rating agencies by borrowing their tobacco bonds and quickly spending them to plug operating deficits.

In Suffolk's case I understand that what you are considering is using the proceeds to defease general obligation bonds. That's a very well used mode of using these tobacco proceeds. I would guess that probably half of the jurisdictions in New York State that have issued tobacco bonds have used them to defuse general obligation bonds. That's a good use, and in terms of how that would be perceived by the credit rating agencies, at the least it would be



credit neutral. It might even be perceived as a plus. The County has never had a problem. When the credit rating agencies look at your four factors to determine your credit rating, your debt factor, the amount of debt outstanding, has never been a problem with the credit rating agency. That having been said, if indeed you are able to reduce it by issuing tobacco bonds, taking the proceeds, investing them in a portfolio of treasury securities and defeasing {GO} debt, that probably would be perceived as credit neutral or credit positive. So there is not a down side to that certainly. Again, the use is key.

One of the things that was in Legislative Budget Review's memo was alternative ways of plugging a budget shortfall. In our discussions we were even at the point where we were talking about prioritizing them, and obviously we are not policymakers and you folks certainly are. You always have, of course, the opportunity to raise real property taxes, to reinstate the sales tax on clothing goods under \$110. This tobacco securitization is certainly an option. One of the other options discussed in the memo was issuing general obligation debt for purposes that you don't presently issue debt, such as equipment, public work projects that can be bondable that you normally have been paying on a pay-as-you-go basis. That is certainly an alternative that was discussed. But securitization is certainly a viable alternative as well.

Different structures that have been employed. I understand – I have had a chance to look at the First Albany proposal. I don't know exactly what was presented to you by Morgan Stanley, but we are working as the financial advisor to Rockland County and Morgan Stanley has done a presentation for Rockland. We are working with Albany County on their securitization deal. They have had presentations by Paine Webber and Solomen Smith Barney and Morgan Stanley.

The proposal that is on the table now from First Albany, certainly it is a good starting point. I think that if indeed you opted to go forward with this, this presentation is written in stone. You could change the structure somewhat, you could change the par amount somewhat. I know that the Comptroller's Office is often concerned about not only present value savings but gross dollars savings, nominal savings, over the life of the issue. One suggestion might be you might look to consider meeting the needs of reducing – of filling budgetary gaps for the next several years, but in doing so perhaps reducing the amount of the borrowing, the tobacco borrowing.

**CHAIRMAN CARACCILO:**

So, Rich, in effect you are saying use it as one-shot revenue for a short-term.

**MR. TORTORA:**

I hate to use the expression one-shot.

**CHAIRMAN CARACCILO:**

It is what it is.

**MR. TORTORA:**

Yes, use it as one revenue source. But I wouldn't want to say one-shot to the credit rating agency, but use it as one revenue source to meeting the three to five year need that you currently have before you in light of the fact that we are in a weakening economic condition. A few years ago – two years ago when these deals were first getting done, Suffolk didn't have a need. You know, everything was rosy. The situation has changed in the last six weeks.

**CHAIRMAN CARACCILO:**

Well, I'll differ with you there. I mean, some things have changed, but they have not impacted this County in a catastrophic way as some are representing. So let's put that in perspective.

Let me go to the report on page four and see whether you agree or disagree with this statement made by Budget Review. It says that, "Our reports have highlighted that Social

Services costs have increased for several years. This trend is expected to continue and even accelerate if the economy enters a recession. The need for additional revenues to support Social Services expenses is not" I repeat is not, "a short-term problem. It is poor budgetary practice to mask long-term projecting structural imbalances through the use of short-term non-recurring revenue enhancements." Your comments. Do you agree or disagree with that statement?

**MR. TORTORA:**

I agree to a point. I think there are alternatives that would be more acceptable say from a credit standpoint, if that was my only concern, and those alternatives might be a general real property tax increase or an increase –

**CHAIRMAN CARACCILO:**

So your preference would be to see as policymakers, both the Executive and the Legislative Branches, to take up more structurally balanced revenue streams like a property tax increase as opposed to using a one-shot like tobacco securitization.

**MR. TORTORA:**

I think it is important for you to realize that this tobacco revenue stream is there and it presents a very unique opportunity for you. And I think it probably should be part of the overall plan to meet the County's ongoing needs. Property taxes –

**CHAIRMAN CARACCILO:**

When you say part, Rich, do you mean perhaps scaled down?

**MR. TORTORA:**

Perhaps. The solution might be downsizing the deal somewhat. If we are looking at a financing that is in the neighborhood of \$300 million, perhaps a financing in the neighborhood of \$200 million will get you the relief that you need if for the next several years and the economy will hopefully cycle back up again, and during that time perhaps there will be a basket of other things that you might be doing that might include a real property tax increase, that might include funding some of the capital expenses that you presently pay as you go.

We know that interest rates are extraordinarily low right now. We were in the market yesterday, and one year note paper cost an issuer in Suffolk County 2.05 %, very, very low. We know that 20 year paper is costing issuers under 4 ½ %. If indeed you have to be in the market for general obligation debt or securitization debt, this is a great time to do it because your cost of capital as viewed historically is very, very low. Probably close to 20 year lows.

**CHAIRMAN CARACCILO:**

In terms of the budget, this question goes to Mr. Pollert. It is my understanding based on conversations we had last week that there are a number of budget lines that the Budget Review Office believes, difficult to identify but believes, where there are excess funds. We heard testimony yesterday from the Comptroller, Mr. Caputo, that he believed there is in excess of \$100 million in the 110 accounts. Now, I don't believe you agreed that it is that high, but you have a sense that it is something that is significant, and what can you share with us along those lines.

**MR. POLLERT:**

Clearly there are surpluses included in the budget. Part of them are in the personnel area. The Legislature has a capability of increasing turnover savings. Some of them are by virtue of the fact that the interest rates have come down, therefore our cost of borrowing is less expensive. Part of them are based upon projected reductions in the mandated area based upon more current data than was available to the County Executive's Office. In total, however, they don't translate to \$37.7 million dollars if you talk the offsetting recommendations of the Budget Review Office to reduce sales tax revenues and to increase appropriations in the health insurance area. Part of what I had spoken to –

**CHAIRMAN CARACCILO:**

Fred, before you go on, so everyone on the committee understands the last part of that statement, your health insurance area etceteras, just explain what you mean by that.

**MR. POLLERT:**

When we looked at the health insurance costs we had some problems getting all the data that we needed. However, we believe that the health insurance costs need to be increased by approximately \$10 million, in part because of the extremely low cash reserves that we have at this period of time. Looking at historically what we have had as cash reserves were at the lowest level down to approximately one-half month worth of cash reserves against claims. So that is approximately \$10 million. Number two is the budget did not fully account for what we believe the drop in consumer confidence and consumer sales have been. Therefore, it is our recommendation that the Legislature consider reducing sales tax estimates both in the general fund as well as in the police district as well as the Water Quality Fund to reflect a slowing of the economy as well as the events of September 11<sup>th</sup>.

**CHAIRMAN CARACCILO:**

In total, though, you have identified \$108 million. I am going to get to the other members in a minute. I just want to so everyone understands the extent of the problem that has thus far identified. This budget that has been presented in deficit to the tune of at least 100 to \$110 million.

**MR. POLLERT:**

That would be correct. In particular, if the Legislature wants to continue items such as a pay-as-you-go program.

**CHAIRMAN CARACCILO:**

Okay. At this time I will recognize Legislator Lindsay and then Legislator Fields for some questions, and then I –

**LEGISLATOR LINDSAY:**

Yes, I would like to get back to the tobacco securitization program. You mentioned before that we would get a more favorable interest rate if the County took back the bonds. If we did that, how are we shedding risk?

**MR. TORTORA:**

I am not suggesting that. What I am saying is there is two different ways of the County raising revenue. Their traditional way of raising revenue is through its general obligation debt powers, having nothing to do with the tobacco deal. Then the alternative way is raising money through the tobacco securitization, two separate financings. We wouldn't propose that the County backstop.

**LEGISLATOR LINDSAY:**

Okay. Let's go back to responsibility, then. If we go through with tobacco securitization, is in fact the County shedding the risk for those bonds? Do we have any risk?

**MR. TORTORA:**

They indeed are. The consensus of the legal community certainly that has analyzed this issue thoroughly, inside out and backwards for the last two years, said that if indeed the deal is structured properly and you have a bankruptcy remote entity created to which the County sells its rights to the tobacco revenues, then if indeed at some point in the future the tobacco revenues dry up or there is a default on the bonds, there is no recourse to the County.

**LEGISLATOR LINDSAY:**

How about the bondholder? The bondholder buys (x) dollars worth of these bonds. And for some reason the revenue stream is not there in the timeframe that they are supposed to be paid back. Does the bondholder's obligations just get extended and taken out of our future revenue?

**MR. TORTORA:**

I understand that the First Albany proposal envisions two separate amortization's, if you will. The base amortization would have the bondholders paid back over a 26 year period. In the event that the revenues were insufficient to pay back the bond over 26 years, then the amortization is extended to a period of term I think as long as 42 years. So as long as the bondholders were repaid within 42 years there would be no default.

**LEGISLATOR LINDSAY:**

But my point is that is coming out of future County revenues. So we are assuming the risk.

**MR. TORTORA:**

But only the tobacco revenues, of course. Not any other –

**LEGISLATOR LINDSAY:**

Right.

**MR. TORTORA:**

Just the tobacco revenue stream.

**LEGISLATOR LINDSAY:**

So the bondholder is going to be made whole regardless. It is just going to take longer to pay them off.

**MR. TORTORA:**

If something were to occur and the tobacco companies were to go bankrupt and the revenue stream would end in five years, ten years or 20 years, then the bondholder would be out, you know, their investment with no recourse to the County. So if indeed the revenue stream dries up, that's it. The bondholder took the risk, they made the investment well informed. They got as much as they could through the only revenue stream they could count on, which is the tobacco revenue stream. If indeed that is gone, then the bondholder is out of luck for the balance of their investment.

**LEGISLATOR LINDSAY:**

That almost seems contradictory, though, doesn't it? On one hand you are saying that the timeframe will be extended until the bondholder is paid off, and on the other hand you said if something happens that the County has no risk.

**MR. TORTORA:**

Let me clarify, if I could. The structure that I understand First Albany is putting on the table assumes that tobacco revenues come in at a certain level over the next 26 years, and that revenue will be sufficient to pay off all the bondholders. And there will also be some residual revenue stream that could be coming to the County every year, that money in excess of what is needed to pay off the bondholders. If in the event that the revenue stream is less than is anticipated because consumption is down, because some of the tobacco companies that are not signatories pick up a bigger part of the market share, and they are not obligated to pay under the master settlement agreement, if the revenue stream is down to pay the tobacco bonds, now that 26 year amortization for bondholders can be extended to as long as 42 years. So as long as revenues are coming in over a 42 year term, those bondholders will have the first shot at those revenues until they are paid off. If at the end of 42 years they still have not been paid off, again, First Albany can explain the structure better than I. My understanding is then they are done. You know, the obligation to pay those bondholders only exists for 42 years.

**LEGISLATOR LINDSAY:**

There was a great deal of discussion last night about the timing of this, whether it has to be done before the end of the year, although we don't need the money until next year.

**MR. TORTORA:**

My understanding, I mean, I'm an attorney, but I am not a practicing bond lawyer anymore, but my understanding is that in order for this dollar amount to be included in your budget, you will have had to have signed a bond purchase agreement with an underwriter prior to the

end of this fiscal year, so by December 31. I think market conditions – you don't want to be, in my opinion, you don't want to be in the market selling this debt much after December 15<sup>th</sup> because the market participants start to go away, they start to close up their books. You want to be in the market with this issue I think probably no later than the second week of December. So timing is essential here.

You do have three – in my opinion you have proposals in hand from the three best firms out there, and the process that we have always undergone in the past, very often we have gone through an RFP process, certainly, and in the event that we didn't go through an RFP process and a banker is selected because they brought a unique idea into the County, then our role as financial advisors is to assist with the negotiation process, to look at all the costs and all the expenses and see how we can make the deal the most attractive to the County, including perhaps, structuring ideas. So you are in pretty good shape to date in that you do have three proposals in hand. It is a policy decision whether you need to go out for a formal RFP, but you do have probably in my opinion the three best players already at the table.

**CHAIRMAN CARACCILOLO:**

We have not seen any one proposal except this one, and just to follow-up on Legislator Lindsay's questioning. In terms of taking advantage of market timing and getting to the market before market participants leave, there is another way to solve this problem and that is a short-term note, very low cost to capital. You already identified what the rates are. Why would we want to mortgage our future?

**MR. TORTORA:**

If you were to issue – and I think that is included in the report. If you were to issue a budget note, and that is a short-term debt instrument, in anticipation – well, to pay for an unanticipated expense.

**CHAIRMAN CARACCILOLO:**

Fred.

**MR. POLLERT:**

The County would never issue a budget note. The budget note could only legally be issued if there was a shortfall in the budget. You can't do that as part of the budget process. What was anticipated is the County makes tens of millions of dollars worth of purchases which could be capitalized. You are given a 20 year interest rate of four and a half percent. The intent was to issue short-term debt three to four years which would be repaid for items such as heavy duty motor vehicles, that type of stuff. I don't know what the interest rate is at the four year level.

**MR. TORTORA:**

It is terrific. It is probably, you know, 3 ¼ percent.

**CHAIRMAN CARACCILOLO:**

So, Rich, why would we not consider that as a cost effective alternative?

**MR. TORTORA:**

You certainly could, and that is one –

**CHAIRMAN CARACCILOLO:**

Well, I want your opinion as our financial advisor. Would that be a more preferable way, a more desirable way of meeting this, according to the Budget Director a short-term problem, according to our Budget Review Office, that it is not a short-term problem.

**MR. TORTORA:**

I have some concerns about that practice as well. It is certainly a cheaper cost of capital than tobacco securitization.

**CHAIRMAN CARACCILOLO:**

How much cheaper?



**MR. TORTORA:**

Well, as we said –

**CHAIRMAN CARACCILO:**

No, no. Over the long-term. If you ran schedules – well, that is something I would like Budget Review to do because I think the Legislature before they can make any policy decision has to know and exercise their fiduciary responsibility to make sure that they spend the public's money wisely. And intuitively I have to believe a note is going to be a lot less expensive than –

**MR. POLLERT:**

Just as a ballpark. What Richard said is that a 30 year tobacco bond is about five and a half percent, a short-term note is about three and a quarter.

**CHAIRMAN CARACCILO:**

Well, Fred, run that amortization schedule for the Legislature so people can see in black and white the numbers look like and what the cost and the diminution of tobacco revenues will be versus what the cost would be associated with the short-term bond. Legislator Fields.

**LEGISLATOR FIELDS:**

What is going to happen to the tobacco program?

**MR. WEISS:**

Nothing. We made a commitment that we would continue to take 20% of the scheduled payments and use that for a tobacco cessation program, as we have since 1999.

**LEGISLATOR FIELDS:**

And it won't impact that in any way.

**MR. WEISS:**

That is correct.

**LEGISLATOR FIELDS:**

Fred, on page 70 under the one, two, three, four, fifth paragraph, using tobacco bond revenues to repay existing debt service requires taxpayers to pay debt service twice.

**MR. POLLERT:**

Currently when the County goes out to do a capital construction project like the construction of a road, we issue bonds which requires us to make debt service payments on it. So it inflates the cost of the project by approximately roughly 50% or so depending upon what the term of the bond is. What you are now doing is you are using borrowed proceeds from the tobacco securitization to pay the debt service on the first borrowing. So what happens is you have an amplification of the cost of the project. Where a County road project may have cost one million dollars and now you have to pay back one and a half million dollars, you are now borrowing on top of that again to repay it so that the ultimate cost of the project was much higher than originally anticipated. So that you are using borrowed proceeds to repay your previously issued debt.

**LEGISLATOR FIELDS:**

Ken?

**MR. WEISS:**

Maybe I will let the financial advisor explain the fallacy in that statement.

**MR. POLLERT:**

Just as a clarification. The report was provided to the financial advisor. We sat down with the County Comptroller, the Deputy County Comptroller, prior to issuing the report. The financial advisor responded and made extensive editorial changes and we made with the exception of two changes all of the changes.

I would also note that as part of the discussion it was agreed that as order of preference, the strongest order of preference to the rating agencies, would be to have locally generated revenues increased. The second best advantage would use a rolling note program, and the least advisable cost of alternative was tobacco securitization. I just wanted to put that on the record. Thank you.

**MR. TORTORA:**

I wanted to respond to an issue, an item that you raised earlier, which is the note program. The note program in and of itself is certainly a lower cost of capital, but one concern would be is now you would be financing costs that you routinely have been paying for on a pay-as-you-go basis. Financing versus pay-as-you-go would be deemed to be a negative factor –

**CHAIRMAN CARACCILO:**

Wouldn't that be true with securitization?

**MR. TORTORA:**

It would be, but it is different because of the nature of the revenue stream coming through securitization.

**CHAIRMAN CARACCILO:**

Oh, you are dealing with Wall Street, not Main Street.

**MR. TORTORA:**

You are dealing with both. You are certainly dealing with both. One of the original points I was hoping to make today was I think you need a very wide view approach to solving the problem that you have which is a potential shortfall next year, and it is going to be a mix of a number of different things. Certainly the note program, I think, makes good sense because it is low cost capital. I wouldn't want to see the County make that an ongoing policy that into the future you will be bonding costs, like police cars and three year purposes that you always have been –

**CHAIRMAN CARACCILO:**

Could you submit for our consideration by tomorrow your recommendations and your priorities on how we should deal with this issue?

**MR. TORTORA:**

What Fred had said is accurate.

**CHAIRMAN CARACCILO:**

Okay. Very good.

**MR. TORTORA:**

In a perfect world a tax increase would make, we think, you know, from a credit standpoint, would make the most sense.

**CHAIRMAN CARACCILO:**

Then on that point let me go back to Fred. I am going to have your question answered in a minute. I just want to stick with this point because it is of the essence of what this whole discussion is all about. Fred, on top of page 71 of your summary on this issue, could you just explain the first paragraph?

**MR. POLLERT:**

Yes. Part of the reason that we met with the Comptroller's Office and the financial advisor, I was even hesitant to issue the tobacco report because this was the first time that the county has ever under budgeted debt service. So I have been in the County from the time of John Klein; debt service was never under budgeted. I was concerned that the report be couched in terms that it would not create problems to the County's credit rating if we issued a report that highlighted the fact that the debt service was not included in the budget.

What my concern is, specifically is that if the budget is adopted as presented without tobacco securitization or some mechanism of paying for the debt service, the County will be in violation both of the State Constitution as well as have a severe hit from the rating agencies. There was no legal impediment to presenting a budget that had sufficient funds for debt service. It is on the mandated side of the budget. There was no restriction on the amount of property taxes that could be levied, and that would have guaranteed that no matter what, debt service would be paid. We are concerned that if the Legislature doesn't take timely action, a budget could be adopted that has a shortage of \$55 million for debt service appropriations.

**CHAIRMAN CARACCILOLO:**

Let me ask you on that point. If we adopted this budget as is, would we be in legal compliance with New York State laws?

**MR. POLLERT:**

No. And the New York State Comptroller would require the County Treasurer –

**CHAIRMAN CARACCILOLO:**

So we have an illegal budget here. This presentation is an illegal budget presentation.

**MR. POLLERT:**

If the budget is adopted without tobacco securitization to pay for it, we will have a shortfall of \$55 million in appropriation to meet a constitutional obligation for debt service.

**MR. TORTORA:**

And the follow-up to that is, of course, if the budget is adopted and we do indeed have a tobacco securitization or some other method that plugged that \$37 million shortfall, then it is fine, which I think was envisioned all along. Whether it be tobacco or a tax increase or a program to issue –

**CHAIRMAN CARACCILOLO:**

But you share Mr. Pollert's concern about a budget that has been presented for a consideration and approval that has 54 point – I'm sorry – \$53.4 million in under budgeted debt service.

**MR. TORTORA:**

It is only under budgeted to the extent you don't go forward with what was proposed.

**CHAIRMAN CARACCILOLO:**

But is that a responsible presentation?

**MR. TORTORA:**

That is a policy issue. Again –

**CHAIRMAN CARACCILOLO:**

From a legal standpoint. You are a lawyer. We have laws in this State. Is this presentation consistent with New York State finance laws and other laws that are applicable?

**MR. TORTORA:**

I believe it is.

**CHAIRMAN CARACCILOLO:**

You believe it is. Fred, you believe it is not. What citation do you have that you believe it is not?

**MR. POLLERT:**

We believe that under the County Charter if the Legislature took no action on the budget, the County Executive's recommended budget goes into effect. If the Legislature took no action

and made no changes to the budget, we would be short \$55 million. So it presupposes an action on the part of the Legislature which, depending upon how the Legislature perceives it, it could be seen as being speculative. So, generally budgets are submitted that stand on their own. They can go into effect if the Legislature takes no action. Under the Suffolk County Charter if the Legislature takes no action on the budget, this budget would go into force and effect.

**CHAIRMAN CARACCIOLO:**

Mr. Weiss.

**MR. WEISS:**

Let me just point out that last year, if we all remember, we had to submit a budget under the same Charter that required that we leave out \$55 million of police salaries. Now, I assume the Legislature could have adopted the budget without considering those resolutions. This is no different than that. We submitted a budget and we submitted a vehicle for you to make the budget whole. All the Legislature has to do is pass the local law, pass the budget we submitted, and everything will be fine.

**CHAIRMAN CARACCIOLO:**

So we should pass the budget as submitted. That is your recommendation.

**MR. WEISS:**

With the local law.

**CHAIRMAN CARACCIOLO:**

Can we now get an answer to Legislator Fields' questions about the use of tobacco –

**LEGISLATOR FIELDS:**

Using tobacco bond revenues to repay existing debt service requires taxpayers to pay debt service twice.

**MR. WEISS:**

It is no different than if you refinance your house. Have you paid for your house? I don't think so. This is no different.

**MR. TORTORA:**

That is not an inappropriate analogy. I mean, I can certainly understand someone saying you are paying debt service twice, I think – but if you step back and look at it is a tough thing to explain.

**LEGISLATOR FIELDS:**

Maybe you could try to explain it to me.

**MR. TORTORA:**

You have debt service that you are paying on an ongoing basis and that debt service is coming from some County revenue stream. This is an alternative revenue stream at a higher cost certainly, that you would be using to pay that debt service. Are you paying it twice or are you paying more. You are paying more.

**CHAIRMAN CARACCIOLO:**

You are paying more. When you refinance a home mortgage, you are doing so at a lower interest rate and taking advantage of market conditions so that your interest costs over the term of the loan is substantially reduced. That is not an analogy or }analogy} to this. This increased your cost.

**MR. TORTORA:**

It does.

**MR. WEISS:**

As far as analogies, let's compare this analogy to taking a pay-as-you-go land purchase program and borrowing in advance. This is very similar. Here is a situation where we are selling bonds on future revenues. If you don't see the analogy between those two programs, I don't know what else to tell you.

**CHAIRMAN CARACCIOLO:**

Legislator Postal.

**LEGISLATOR POSTAL:**

The way the First Albany proposal is structured, there is a local development corporation which is established. Not all of the tobacco settlement monies are used for securitization. A certain percentage comes to the County. The other percentage will go to the local development corporation to repay the bondholders. Am I right?

**MR. TORTORA:**

That's correct.

**LEGISLATOR POSTAL:**

Now, in the event that at some future point the revenues paid by the tobacco companies falls, what happens to the percentages that go to the local development corporation and to the County?

**MR. TORTORA:**

The residual monies, which is the money in excess of what is needed for debt service, in the event that the revenue stream was diminished, there would be less residual monies to go to the County because the bondholders would get paid first.

**LEGISLATOR POSTAL:**

Right, so that the debt service has to be met first.

**MR. TORTORA:**

That's correct.

**LEGISLATOR POSTAL:**

So that let's assume that revenues paid by the tobacco companies fall and therefore debt service has to be met first, that's an obligation, so that the amount that would be paid to the local development corporation for the bondholders would be – that would be the first – I guess the first order of business. That amount of money would be paid. If that amount of money, the revenue secured from the tobacco companies, was only adequate to meet the debt obligation to the bondholders, would any money come to the County?

**MR. TORTORA:**

Not in that year, no.

**LEGISLATOR POSTAL:**

Right. So that how could we meet the 20 percent we are making a commitment to use for tobacco cessation and prevention programs.

**MR. WEISS:**

There is no direct link. I mean, there is no magic that takes the tobacco money and puts it in tobacco programs. We make a commitment to provide appropriations equal to 20 percent of the tobacco – of the scheduled tobacco payments in the budget. I mean –

**LEGISLATOR POSTAL:**

In other words, if let's say no money came to the County in a given year from the tobacco companies. We are making a commitment to spend, to allocate 20 percent of the amount paid to the local development corporation in our County tax dollars to tobacco cessation programs.



**MR. WEISS:**

That is correct.

**LEGISLATOR POSTAL:**

Is there any commitment not to take that away from other health programs or other County programs? I mean, it is like the lottery money. Am I right that –

**MR. WEISS:**

Suppose all the tobacco – there was lawsuit filed yesterday in West Virginia or something. Suppose all the tobacco companies went bankrupt in 2003. How much do you get for a tobacco company.

**LEGISLATOR POSTAL:**

You know something? That is never going to happen. Ken, let me just speculate and tell you my philosophy. In my opinion, as long as the Federal Government keeps subsidizing the growth of tobacco and the tobacco industry, and as long as the tobacco industry now has an obligation to provide funding to various municipalities all across this country, if anybody believes that the United States is going to allow the tobacco companies to go belly-up when budgets are dependent on tobacco settlement money, then they are dreaming. So that is not going to happen. But what could happen, what very possibly could happen is what was said a little earlier where a larger market share could be realized by those companies which do not have an obligation to provide revenue under the tobacco settlement, or those which do now divest themselves, those corporations now divest themselves of those businesses under their umbrella which are not tobacco related. So conceivably there could be a drop in revenue, but I think the likelihood of the tobacco companies going bankrupt is a pipe dream. I really think it is unlikely, and I think for any of us to feel secure that there is going to be 20 percent of tobacco revenues that are devoted to tobacco cessation and prevention programs without any impact on any other County programs under this plan is really – I think it is at very least a little duplicitous.

So if we go into this, if we are going to do this, then I think we have to do it with our eyes open. I don't think any of us is operating on the belief that we don't face a problem here. But to say that we can be all things to all people, we've got to make choices. And if we are going to make a choice for the program that First Albany is providing us, we have to be aware that if we are going to have that 20 percent which you are committing, then we are voting for the possibility that we could be taking that money away from other programs and even other health programs at some point in the future.

I want to go to another question, and that has to do with the rolling bond. In the report when the Budget Review Office is proposing use of rolling bonds to assist us with some of the financial burdens we are facing, I think there are recommendations to do that but I don't think that the Budget Review Office is recommending at any point that that could resolve all of the problem. Is that true, Fred?

**MR. POLLERT:**

That is absolutely correct. It would only be a small portion of an overall solution. Part of what we need clearly is to balance the number of short-term types of solutions. Part of the reason we are concerned about this is we are also pulling in \$30 million from the tax stabilization reserve account. So we felt that a reoccurring revenue in lieu of just taking money out of tax stabilization reserve and tobacco securitization, you need a better mix of reoccurring types of revenues.

**LEGISLATOR POSTAL:**

So the only point that I am making is that, I mean, the problem is not going to go away and we as a Legislature have been presented with a situation where we do not have a balanced budget. We have a number of choices but we've got to make those choices. And if we decide tobacco securitization is not a good choice, then yes, rolling bonds will address part of the problem, but we are not going to find an easy way to resolve the problem. And what was just said to us is that we either raise property taxes, we restore the sales tax on clothing purchases under \$110. We have to make one of those choices. There is not going to be an

easy way to do this, and the problem isn't going to go away.

**CHAIRMAN CARACCILO:**

Rich, just to recap in order of priority your recommendations on how to fix this budget.

**MR. TORTORA:**

Real property tax increase.

**CHAIRMAN CARACCILO:**

That would be your first priority. Okay, next.

**MR. TORTORA:**

Probably reinstitute the sales tax on clothing under 110. My only concern –

**CHAIRMAN CARACCILO:**

Do you have to do both?

**MR. TORTORA:**

I'm sorry?

**CHAIRMAN CARACCILO:**

You may, a lesser real property tax and – you do each of them in pieces rather than –

**CHAIRMAN CARACCILO:**

What impact does that have on all the economic stimulus that the federal government is trying to generate to restore consumer confidence?

**MR. TORTORA:**

That would be a concern. I think people – talking as a consumer, not as anything else, I think that it would be much more noticeable to all of a sudden be paying a sales tax on clothing. I would see that much more readily than I would see an increase on my –

**CHAIRMAN CARACCILO:**

But as an economic measure, is that advisable?

**MR. TORTORA:**

The sales tax increase? It is questionable. I mean, it is not the kind of signal you might want to send out right now.

**CHAIRMAN CARACCILO:**

You mentioned bond. We talked about a note or a bond, a short-term bond. Where would that fit in terms of your –

**MR. TORTORA:**

That would probably be next. Again, a mix of – as Fred said, that won't fix the problem in and of itself, and I don't like the County all of sudden having a policy that into the future you will start bonding all of these costs that you have been paying for pay-as-you-go.

**CHAIRMAN CARACCILO:**

Fred, when was the last time the County issued a budget note and for what purpose?

**MR. POLLERT:**

It was two years ago and the note was never issued. It was just authorized to create appropriations to meet Social Services cost overruns. So there was sufficient revenues. Prior to that I believe the last time we issued a budget note was in 1992 or '91.

**CHAIRMAN CARACCILO:**

Okay, so it is not unprecedented, that we've been there, we've done that, it works as a short-term measure.

**MR. TORTORA:**

We wouldn't want to issue a budget note as Fred said earlier, because that would send the message out that something is happening beyond our control unexpectedly. What we would propose is bond anticipation notes, short-term debt instruments to finance capital needs. And then the next order of priority is the tobacco securitization. But –

**CHAIRMAN CARACCILOLO:**

That would be least advisable.

**MR. TORTORA:**

But I would hate to have it characterized that that is what we are saying. I think the tax increase, real property tax increase is the best solution.

**CHAIRMAN CARACCILOLO:**

Do you know how much a real property tax increase – how much of a real property tax increase would fix this problem?

**MR. TORTORA:**

I'm told from the report \$67 per average homeowner in the County on an annual basis. I don't know what that equates to.

**CHAIRMAN CARACCILOLO:**

Everyone around here gets scared when they talk about it because they like to frame it particularly in the way of a percentage increase. Instead of being honest with the public and telling them that if you live in a town like Brookhaven and you pay about \$650 a year for police, health, and all types of other County services and it is only 15% of your total tax bill, or if you live in the towns that I represent, three to four towns, where it ranges anywhere from about one percent of your tax bill to a high of five percent of your tax bill. So, you know, why everybody has this stigma that they don't want to touch and do the right thing it is just simply because they don't have any political will or courage to do the right thing, and that is what got Nassau County into trouble and I think anybody in Suffolk County that is going to wait for the State of New York to come along anytime soon if it takes irresponsible actions like Nassau County and bail it out has another – is pipe dreaming. That isn't going to happen.

**MR. POERIO:**

Legislator Caracciolo, I love what you just said and I think it makes an awful lot of sense to deliberate what you are going to do. We are not here today to force upon you or instill upon you a way that you should go. What we have done here, and I think all of us have done our jobs in this regard, Budget Office, Budget Review, ourselves, and even First Albany, is given you a number of different proposals that you can look at. You ultimately have to make the decision. Property taxes, as Rich said, \$67 a year. Believe me, I wouldn't mind paying that out of my pocket, but that is just me. But you guys have to make that decision and I think that we've sat and worked on this problem and came out with the solutions that we think are possible for you folks to consider. You are going to ultimately have to make the decision.

**CHAIRMAN CARACCILOLO:**

And the one thing we haven't talked about, and I will recognize you in a moment, Maxine, is are there ways to make economies within the budget. We are talking about a two billion dollar budget, and to insist that it come out of the taxpayers pocket without even attempting to go into that two million dollar treasury and find ways to make some small, reasonable economies is just not acceptable to me. So I will not be part of any process on this horseshoe that attempts to do it strictly on the backs of taxpayers. We just approved a couple of months ago a management salary increase. Fred, what was the financial impact of that management salary increase?

**MR. POLLERT:**

I really don't recall.

**CHAIRMAN CARACCILO:**

It is convenient how we have memory loss around here, but it was several million dollars. There are a number of other areas we could look at. I could tell you just looking at the growth in the legislative budget, it is almost double than the last seven years. You look at the Executive budget, it has increased significantly. These are different times. It is time to really sit down, work together, and solve the problem, but not strictly on the backs of the taxpayers. I will not stand for that. Legislator Postal.

**LEGISLATOR POSTAL:**

I want to ask you about that figure you gave, the average house property tax increase coming to \$67. Is that with the assumptions that are in the proposed budget with regard to expenditures and revenues with tobacco securitization or instead of?

**MR. TORTORA:**

I am just parroting what I read when I read the report. I am not quite sure.

**MR. POLLERT:**

So if there was a straight substitution of the \$37 million to property taxes it would translate to that. Part of what we –

**LEGISLATOR POSTAL:**

But that's – given the assumptions that are in the rest of the proposed budget.

**MR. POLLERT:**

That is correct. Part of our introduction said exactly what Legislator Caracciolo said, you need to look at all areas of the budget to see if that number can be reduced.

**LEGISLATOR POSTAL:**

Well, it is also, yes, whether that number can be reduced, but whether the other assumptions in the proposed budget are accurate. For example, do you feel that the projection on sales tax revenue for next years is accurate?

**MR. POLLERT:**

No. It is a recommendation of Budget Review Office to reduce the estimate both in 2001 and 2002.

**LEGISLATOR POSTAL:**

So that you are telling us that your read on it is that there is going to be less sales tax revenue so that we would have to, if we are choosing to make up the difference with a property tax increase, we would have to increase property taxes beyond the \$67.

**MR. POLLERT:**

That is correct.

**LEGISLATOR POSTAL:**

Now, you also point out that you believe there is a health insurance deficit.

**MR. POLLERT:**

Yes, approximately ten million dollars.

**LEGISLATOR POSTAL:**

So if we accept your recommendation and we assume that there is a health insurance deficit, then we would have to provide the additional revenue and we chose to do it by a property tax increase, then that would raise property taxes beyond the \$67 for the average house.

**MR. POLLERT:**

That is correct. As Legislator Caracciolo said, in total if you look at just the problems in the budget it is about 100 and some-odd million dollars. So offsetting that would be other Budget Review Office recommendations with respect to part of that could be addressed

through a rolling note program, portions of it could be addressed through lowering estimates on the mandated side, but ultimately you come up with a net shortfall. It may not be 37 million, it may be less, it may be more, depending upon what the Legislature wants to do. But that is the net gap which we believe it would be far less expensive to the taxpayers to increase reoccurring revenues for.

**LEGISLATOR POSTAL:**

Right, and that is my only point, that we can't assume that increasing taxes by \$67 for the average house is going to address all of the problems that are in this proposed budget.

**CHAIRMAN CARACCILO:**

Fred, between 1993 – go ahead.

**LEGISLATOR POSTAL:**

I'm sorry. Just one other question while I am thinking of it because we received a memo from Ken Weiss at the beginning of this meeting having to do with State for Fashion Institute of Technology. This indicates that there is a projection of I think it is a four million dollar shortfall because the State is not, has not, and will not be providing us with FIT aid. So, I mean, right there we are talking about another problem, right, Ken?

**MR. WEISS:**

Yes.

**LEGISLATOR POSTAL:**

Is the County Executive going to send over an amendment to the budget?

**MR. WEISS:**

We can't amend the budget once it has been submitted to the Legislature.

**LEGISLATOR POSTAL:**

You can't?

**MR. WEISS:**

No.

**LEGISLATOR POSTAL:**

I think – it seems to me I have seen amendments by the County Executive over the years I've been here when we are in the budget process. Am I right, Fred? Do I remember correctly? I mean, we vote on them. It is not like because he sends them over they are automatically included and approved. But, you know, I would suggest that obviously the County Executive is aware of this –

**MR. WEISS:**

We could restructure the securitization and take care of that.

**LEGISLATOR POSTAL:**

To take care of that, it takes care of everything.

**CHAIRMAN CARACCILO:**

Fred, between 1993 and the present time, approximately how much has the consumer price index rose in Suffolk County? It has been very low. If you did an average, do you know, Rich?

**MR. TORTORA:**

I would say below three percent.

**CHAIRMAN CARACCILO:**

Below three percent annually. So if you multiplied that over eight years you would be talking what, about 24%?

**MR. TORTORA:**

And I would say even less than that. It would probably be under 20.

**CHAIRMAN CARACCILO:**

So on a present day value basis, if you look at County taxes in 1993 and where they are today, for example in my district where they have decreased, decreased by hundreds of dollars or by 75%, since that seems to be the preferable way people like to talk about property taxes, in effect if there was a quote 73% increase, it would be right back to where it was eight years ago –

**MR. POLLERT:**

That's correct.

**CHAIRMAN CARACCILO:**

Not factoring in inflation.

**MR. POLLERT:**

That's right, and during the intervening time, obviously you haven't been taking the money from the taxpayers. So even if it bounces up they have saved a tremendous amount of money because it has decreased so much over that time.

**CHAIRMAN CARACCILO:**

Okay. I am going to recess the Finance and Financial Services Committee. As I stated earlier, I do have a note that Legislator Guldi had handed me and now it has been misplaced but I will try to paraphrase what George wanted me to read into the record, that as a result of the Presiding Officer unilaterally changing the time of this committee meeting and not providing notice until late yesterday, he had prior commitments and could not attend the full meeting. In consideration of that fact as well as other members of this committee who are not present today and other matters that still need to be discussed before Friday's budget amendment deadline, I will consult with the other members of the committee and make every attempt to make it mutually convenient to continue this committee meeting either later today, tomorrow, even into Friday if necessary. Thank you.

*(The meeting was adjourned at 1:25 p.m.)*